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1981



IMPERIAL LIFE

The Imperial Life Assurance Company of Canada, incorporated in 1896 and a member of The Laurentian Group of companies since 1977, issues a comprehensive line of coverage designed for today's growing insurance market. The range of plans includes all the usual forms of life, term and disability insurance; annuities; equity plans; group pension and disability income plans; group life, accident and sickness plans; and group creditor life insurance.

Insurance agents have been much maligned in the past — we think unfairly. At Imperial Life we choose new recruits with great care, then provide them with extensive training so that they can counsel their clients on their insurance needs with intelligence and insight. It is not an easy job selling insurance, coping with the multitude of products on the market and confronting the responsibility of advising clients on their long-term needs for protection. It takes commitment, sound judgement and a genuine wish to be of service.

In this year's Annual Report we are featuring eight of our sales representatives along with their views of the products they sell, their work environment and their relationships with their clients. When we say that at Imperial Life we are "Responding Professionally to Change", we are referring to our sales representatives who meet the changing needs of their clients by providing them with professional advice and competent service.





Imperial Life has excellent product lines and, I think, the finest training programs in the life insurance industry. The kind of assistance given to the agents in the field allows us to offer top-notch service to our clients. We're so far advanced over so many of the companies I run into here.

*Pat Mulligan
Penticton, British Columbia*

The financial results of Imperial Life in 1981 were very satisfactory indeed. Net income amounted to \$19,091,000, up from \$17,294,000 in 1980 and consolidated assets grew by \$306,000,000 to reach \$1,722,000,000, an increase of 21.6% over 1980. Earnings per share increased considerably from \$3.31 to \$6.19 and the net rate of interest earned in the general funds rose by 1.03% to an all-time high of 11.62%.

These favourable results were achieved in an economic climate that created a great deal of uncertainty in the minds of the buying public. Despite this, our loyal and well trained field force achieved record levels of production. Even during the latter half of the year, when high interest rates and continuing inflation were having significant effects on the economy, our Pursuit of Excellence campaign, held in October in Canada and The Bahamas, produced the highest level of monthly production in the Company's history. As well, our administrative staff throughout the Company are to be congratulated on their effective efforts to control costs, increase their productivity and maintain excellent levels of service to our policyholders and agents.

We made changes in the duties of some of our senior management during the year. In Great Britain, Mr. Roger Wain assumed the position of Senior Vice-President and General Manager, following the retirement of Mr. Jack Kempton after 47 years of valuable service to the Company. Late in the year Mr. Wain implemented several changes in the G.B. organization to improve management efficiency.

Because of the importance of computerization and data processing in our operations, we felt it appropriate to separate them from the systems and resources area at Head Office and appoint a vice-president whose sole responsibility would be to manage this function. We asked Mr. Lewis Dunn,

formerly Vice-President — Group Insurance, to become Vice-President — Data Processing. Mr. Alan Brereton, formerly Vice-President and Actuary, moved to the position of Vice-President — Group Operations and Mr. Michael Hale, previously Executive Director — Marketing Planning, was promoted to Vice-President and Actuary. Plans were also laid at Head Office to restructure the data processing operations and to reorganize some areas of the Group operations in anticipation of a new market thrust in pensions in 1982.

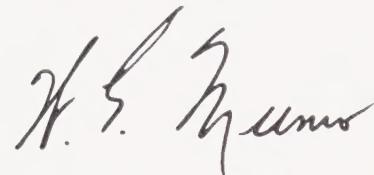
In order to respond to changing market conditions in 1981, we introduced a new Non-Smoker Five Year Renewable and Convertible term plan and prepared for launch a new flexible premium deferred annuity, called Multiflex. Two other initiatives included a death benefit enhancement program, which increased the death benefit on existing plans by \$56 million, and an increase of dividends to participating policyholders in excess of \$2 million.

During the year we entered the property/casualty market through a pilot project in Ontario which enables our sales representatives to market automobile and householder plans underwritten by one of our associated companies in The Laurentian Group. This project is progressing well and has contributed welcome additions to our product lines.

Imbrook Properties Limited, our Canadian real estate subsidiary, had an excellent year and continues to show strong growth. As well, our U.S. subsidiary, Loyal American Life Insurance Company, contributed significantly to results in 1981, thus confirming that our investment in this company was a sound one. We look to both of these companies for important contributions to the Company's earnings and growth in 1982.

The investment department of the Company also produced excellent results and the 1.03% increase in the net earned rate on general funds in a well diversified portfolio was a major factor in maintaining our competitive position. This rate also compares very favourably with other companies in our industry.

While the 1981 results of Imperial Life were very good, we do not anticipate as successful a year in 1982. The worsening economic climate, particularly in North America, does not bode well for any segment of the economy and the Canadian federal budget proposals introduced in November, if passed into law, could have significantly adverse effects on the life insurance industry. Imperial Life, along with other insurance companies, is attempting to convince the Government to reverse some of its ill-advised proposals, including the taxation of the investment accrual on life insurance policies. Even if we are successful in our attempts, uncertainty resulting from these proposals will have a negative effect on sales for at least part of 1982. Despite this less than optimistic forecast, we feel confident that our strong field force and our dedicated administrative staff will continue to contribute to the growth of the Company.



W. G. Munro
President

In Canada and The Bahamas, new premiums from individual business amounted to \$135,581,000 in 1981, an increase of 39% over 1980. Particularly fine results were achieved in flexible premium retirement annuity plans, which totalled \$47,433,000, an increase of 56% in the year. New premiums for single premium annuities reached \$81,465,000, an increase of 34% over 1980 results.

The year was marked by increases in all our product lines, with gains in individual life insurance premiums, income disability plans and equity plans. Total new individual life insurance premiums amounted to \$6,307,000, an increase of 4% over 1980, while income disability plans increased by 3% to \$356,000.

Two distinct trends in product sales emerged during 1981. In the first half of the year, our flexible premium retirement annuity sales and single premium annuity sales were up considerably, but we experienced a reduction in individual life and term plan premiums. In the second half of the year, as a result of a concerted effort by our field force, our life and term sales were up by 31% over the first half. These trends indicated that traditional buyers of life insurance were returning to basic permanent life insurance to meet their protection and security needs. The total number of sales increased 5% throughout the year, compared to the industry average of approximately 2%.

During the year our training programs took hold and started to pay off. The implementation of Executive Marketing Skills and the Granum System, a project that required three years to complete, has assisted our representatives to become professional counsellors to their clients, young economic growers between the ages of 25 and 40. In 1981 our field organization grew substantially at a time when industry growth remained flat. Our gain in the number of full-time career agents was 15% and retention also improved. Sales representatives and management personnel at year end increased to 383. In addition, our persistency of business showed marked improvement. All this is further proof that our training programs are working well. Growth in our marketing organization is being accomplished by increasing the size of our branches and by improving marketing effectiveness. As a result, the change in expense ratios was below the rate of inflation.

The past year also marked the coming of age of our Second Line Management Program which has developed some very fine middle-management candidates. Although this program is expensive, it, too, is starting to bear fruit.

The reorganization of our Head Office marketing department, which stressed marketing development, was accomplished in 1981. The new structure brings together the staff who create, design and introduce products, as well as those involved in support and promotion.

In January 1981 we entered the property/casualty insurance field in Ontario. Initially, agents in nine branches were licensed, while the five other branches in the province entered the market late in the year. We developed a unique property/casualty training program which has ensured a very high pass rate of students.

In response to market demand, we introduced a Non-Smoker 5 Year Renewable and Convertible term plan. Our new Multiflex plan was launched early in 1982. This plan is a flexible premium deferred annuity, providing RSP buyers and other pension purchasers with three investment options: daily interest or guaranteed rates of return with a term of one or five years. Contributions may be directed to one or more of these options and the client may transfer amounts twice a year without incurring charges. The appeal of this plan is not only the high yields it generates, but also the absence of front end loads and the elimination of termination charges at maturity date. While the Multiflex plan is specifically for the registered retirement savings plan market, it is also a highly attractive vehicle for other registered and non-registered pension plans.

The combination of the success of our training programs and additional product diversification resulted in a satisfactory year. Premium production exceeded \$135 million in individual products and our business in force in all product lines and geographical areas exceeded \$15 billion.



When I arrange a meeting with my clients I recommend strongly that both spouses attend. It's terribly important that both the husband and wife share in the decisions involving insurance coverage. I try to ensure that my clients understand that planning for the future is an absolute necessity.

*Marian Buettner
Nipawin, Saskatchewan*

Against the background of a troubled economy, whose symptoms included double-digit inflation and unprecedented numbers of unemployed, the British organization of Imperial Life made notable progress in production and policyholder service in 1981, its Golden Jubilee year.

The rate of inflation in Great Britain rose to over 12% by the end of December 1981. Industrial productivity increased dramatically but the level of unemployment rose to nearly three million, or more than 12% of the labour force. Industrial production recovered slightly, even though interest rates remained uncomfortably high.

These problems somewhat dampened the market for life insurance as they did for many other service industries, particularly in the provincial areas where unemployment was highest. However, our field organization achieved an increase in new business significantly in excess of the rate of inflation, and indeed some of the most notable achievements came from the most depressed areas.

Total new premium income produced by the British organization in 1981 amounted to £10.4 million, an increase of 39.5% over 1980. This compared favourably with the average increase in new business by members of the British Life Offices Association of 30.8%.

The largest component in the £10.4 million remained the premiums contributed by new individual life sales, which amounted to £3,882,000, or over 37% of the total. This amount, however, represented a very marginal drop compared to 1980, a trend which was accompanied by an increase of over 48% in new individual unit-linked business amounting to £1,184,000. This suggests a growing awareness among policyholders of the need for an investment to provide a hedge against inflation.

The sector that showed the largest percentage growth was Group sales, that is, business sold to the corporate market,

where new premium income increased by nearly 250% to £1,476,280. The largest increase was achieved in the Group Brokerage operation, which made excellent gains in its first full year of operation.

Single premium business rose by 83.7% to £2,573,000; individual pensions were up 46.4% to £912,000; and individual personal health insurance increased 22.7% to £336,000.

The increase in business sold by our own direct sales force was achieved through better productivity. The average number of sales each month per sales representative increased from 5.0 in 1980 to 5.3 in 1981. The average annual premium income on the same basis rose from £1,106 to £1,240. The number of personnel in the field force remained static at 406.

The administrative staff at Chief Office in Guildford and in the branches also made achievements in productivity. The increased business produced by the field force was administered by a staff which, at year end, amounted to 422, a small reduction over 1980.

At the end of the year, a reorganization of Chief Office administration staff was introduced which established five main operating divisions — Life, Marketing, Personnel & Training, Financial Services, and Investments. This restructuring also clarified responsibilities and lines of control. It will improve the effectiveness of management and eliminate the duplication of effort, thus improving the standard of service to both policyholders and the field force.

A new wing was added to the Chief Office and work continued on the introduction of a new computer, which the new wing will house. The installation of the computer will make it possible to automate more of the routine operations in Chief Office, thereby contributing further to controlling costs by increasing productivity.

There were three notably successful new product launches during the year: the Maximum Investment Plan and two new pension products, one for small groups and one for key executives.

The Property Fund was added to the organization's already successful range of separate asset funds, called the Unit-Linked Portfolio, and was launched with a privilege offer to existing policyholders by direct mail. This operation produced new premium income totalling over £300,000.

Some 17% of the Company's assets invested in Britain (£139 million at book value) was held in real property at the end of the year, not solely in the Property Fund, but also in the main Life Fund, the Pension Managed Fund and the Managed Fund. We remained active in a North Sea oil consortium and expanded our interests in overseas equities via specialist Japanese Investment Trusts.

Income from all of the organization's investment operations in Great Britain totalled £9.4 million, against £7.9 million in 1980. This excellent result, together with the buoyant new premium income figures, made 1981 a successful year for the British operations. Net income and earnings per share both exceeded targets, successes which we plan to consolidate in 1982.



I firmly believe that everybody should have a basis of permanent insurance. From this will spring the rest of your program. It's like building a house, really. If you've got a darn good foundation, you can build anything you like up on it. And the same is true with a life insurance program. If you've got a good foundation of protection with whole life, then you can build on it as you need to, or as your needs change.

Derek Akam

Milford-on-Sea, England

North American Group Operations

Imperial Life's North American Group Operations experienced many successes in 1981. These included an improved financial picture in all three of our product lines, life, health and pension, each showing improved earnings over those of 1980. Life and pension earnings continued to grow with favourable mortality and a larger in-force base, respectively. The major sources of 1980 losses in the Health Account were addressed by implementing two rate increases during 1981 in major medical and dental coverages. These rate increases were carried out successfully without the substantial increase in terminations that could have been expected from such action.

Life and Health new business continued to grow, amounting to \$10,289,008 in 1981, compared with \$9,700,856 in 1980. Life and Health in-force annualized premium grew 21% from \$51,922,815 to \$62,846,538, a healthy increase over the budgeted amount of \$58,800,000.

Pension production was lower in 1981 than in 1980 because we deliberately de-emphasized that segment of business, while we awaited the implementation of a new pension administration system. In spite of this lower production, pension income in 1981 was \$27,012,944, a modest increase over 1980.

To prepare for the implementation of our new pension administration system, we undertook a management reorganization late in the year, with clearly assigned responsibilities to market and service a full range of defined benefit, defined contribution and other group savings plans. This investment in staff and systems is expected to produce significant cash flows in future years. We are optimistic that the timing of the introduction of this new system is right and coincides with a high degree of interest in pensions in the public and private sectors as well as in the press.

In 1981 we made several changes in our field organization to give more emphasis to the sale of middle-sized cases and to open up more lines of communication with the consulting community, which is the primary source for this market. As well, greater recognition was given to the Group Underwriting department by providing it with representation on the Group Management Committee. The Director of Group Underwriting now reports directly to the Vice-President — Group Operations and is responsible and accountable for the underwriting and renewal of all life and health business.

Through our planning process, we re-confirmed that excellence in customer service must be a priority in our day-to-day operations. We feel it is vital that the Company be seen to provide first-rate customer service in order to both obtain and maintain the better customer accounts. It is our objective to ensure that all employees fully understand their role in providing the highest level of service. We have been able to attract well known Canadian corporations who wish to place their benefit plans with Imperial Life and we will continue to attract more as our reputation as a provider of excellent service receives broader recognition.

During 1981 the Company introduced a revised group ordinary product in the United States, called Group Reserve Ordinary (GRO). This plan is a type of whole life product with a savings portion that accumulates at current interest rates and a death benefit that pays the savings portion in addition to the level term amount. This innovative group universal life product has excellent growth potential.

Although the Canadian federal government is planning to tax group dental and medical premiums, we believe there will still be a market for these products. Because of emphasis on excellence of customer service and as a result of our reorganization of pension staff and field personnel, we look forward to continued growth and profit in 1982.



The group insurance business is constantly changing, it's evolving for everyone. The more creative coordinator I am, the better I can get my Company to respond to the needs of the group consultant and the client. My personal satisfaction comes from knowing that I have put together an employee benefits program that is cost efficient for our client, the employer, but also delivers to the employees the benefits they need.

*David Harvey
Toronto, Ontario*

Investment conditions changed dramatically during the course of the year. Continuing economic deterioration in Europe and growing softness in Japan were offset somewhat by surprisingly buoyant activity in North America early in the year. But soaring interest rates, the result of tight credit market conditions and a restrictive monetary policy by the Federal Reserve Board in the U.S., eventually had their impact on consumers and business alike in North America. By the end of the year the Canadian and U.S. economies were falling back into sharp recession again. The British economy was beginning to stabilize, after a deep and prolonged slump, but without any significant recovery in industrial output. As the year progressed, government policies of economic moderation and the good fortune of the agricultural crop year were beginning to have an increasingly beneficial effect on inflation, notably in the U.S., Japan and the U.K., but at a rapidly mounting cost in terms of unemployment and disruption of capital markets. Prices were off sharply in a wide range of industrial commodities, and there was a marked easing in oil markets. In these circumstances, inflation-hedging, equity-oriented investment strategies gave way to fear of the economically depressing effect of tight credit markets, and a rapidly growing reluctance to make long term investment commitments.

While there was a strong 24% growth in Imperial Life's cash operating income, the increase in normal discretionary funds was marginally lower than in 1980.

Reflecting very high interest rates, our North American policy loan demand throughout the year was heavy and the increase in overall loan balances totalled \$13,900,000, a 22% rise. In addition, collateral loans made in relation to certain annuity sales in Canada represented a further net investment of \$32,000,000.

However, these funds were augmented by the issue of preferred shares which the Company made in mid-year. After expenses and purchase fund acquisitions, a

net of \$23,400,000 was available for investment, bringing the total of discretionary investment funds to \$151,800,000, 13% higher than for 1980.

Again we acquired a substantial amount of corporate and municipal bonds in Canada to fund annuity sales and also made moderate purchases of government bonds in all areas. With the inclusion of debentures used to fund property subsidiaries, and of money market instruments, this meant that consolidated bond assets in general funds rose by \$97,100,000.

While the mortgage market in Canada was at a low ebb with limited activity due to high interest rates, Imperial Life financed more than 1,700 housing units, double the previous year's total, thanks to a shift to apartment loans for longer term annuity matching. On a consolidated basis, the net increase shown in the mortgage account for the year was \$38,700,000.

With a deteriorating outlook for the stock market, particularly in Canada, due to the high cost of money, the economic recession and lower commodity inflation, we undertook a major equity sales program in the third quarter. However, the low carrying values of the equities sold meant that the consolidated total for stocks on a book value basis actually increased by \$5,700,000 over the year. Although more than \$22,000,000 in capital gains was realized on the sale of stocks in 1981, Imperial Life at year end still had 19% of its general funds at market value invested in the stock category.

Substantial funds continued to be directed to real estate ownership, both directly and through subsidiary and affiliated property investment companies. Details of the operations of the larger of these, our Canadian subsidiary Imbrook Properties Limited, are reported in a separate section of this report. On a gross consolidated basis, general funds property assets increased in the year by \$38,700,000.

In the highly volatile market conditions that prevailed over the year, and with the very uncertain outlook for 1982, Imperial Life further increased its reserves of cash and short term securities to a total of \$92,500,000 in its general funds.

Although major market declines substantially cut into the values of both fixed interest and equity holdings in segregated funds, the total value of these funds rose by \$55,500,000.

To further expand our capability in fund management, the Company is in the process of establishing Impco Investment Management Ltd. as a fully licensed investment counselling subsidiary.

Impco Health Services Ltd., the Company's medical examination and fitness subsidiary, experienced a 23% increase in revenues, and undertook some 5,250 examinations for 300 corporate clients. As well it managed six company fitness programs.

Consolidated assets incorporate the investments of Loyal American Life Insurance Company, whose assets are separately managed and whose results are dealt with in its own section of this report. With changes in currency translation rates and formula adjustments to reflect capital gains, the total of consolidated assets showed an increase for 1981 of \$306,063,000.

The strong growth in funds available for investment, the unprecedented high level of interest rates at which they could be employed and the substantial realized gains on equities all combined to produce another record increase in the net yield earned on invested assets. The rate for combined life and health assets of Imperial Life in 1981 was 11.62%, an increase of 1.03% over the previous year.



Life insurance is a people business and I often say that I am in the widows and orphans business. Many of my clients are families where the husband is the major source of income. When the breadwinner dies, you can never replace him. All you can replace is income through insurance. But when I see that because of their insurance a widow and her children are able to carry on doing the things they want to do, I feel very good inside. I know I have done something very important.

*Rayner McCullough, CLU
Barrie, Ontario*

Loyal American Life Insurance Company became a wholly owned subsidiary of Imperial Life and a member of The Laurentian Group in April 1980. Based in Mobile, Alabama, this company is licensed to operate in 47 states and in the District of Columbia. It writes individual and group insurance policies for life, accident and health.

During 1981 pricing policies for several lines were reviewed and adjusted. Investment results during the year were very good. Since becoming a subsidiary of Imperial Life, Loyal American entered the brokerage market in a number of states and broadened its range of products.

Sales results in 1981 were better than in any preceding year and earnings exceeded by a wide margin those of the previous best year, as well as the general trend of earnings in recent years.

Total GAAP income of \$26.6 million consisted of premium income of \$21.8 million and investment income of \$4.8 million. Benefits and provisions for future benefits totalled \$15.1 million. GAAP expenses and the provision for deferred income taxes totalled \$7.8 million. With realized capital gains at \$1.1 million, GAAP net income for 1981 was \$4.8 million.

The net earnings for 1981 of \$4.8 million compared most favourably to \$1.2 million for 1980. The regular dividend to the shareholders was increased to \$800 per common share and a special dividend of \$400 per share was declared in October 1981.

The excellent results of Loyal American indicate good progress. We have every reason to anticipate a continuation of the growth of the Company in 1982.

Imbrook Properties Limited, a 56% owned subsidiary, is Imperial Life's Canadian real estate development and property management arm. 1981, the third full year since its incorporation, was an extremely active one for Imbrook and saw its revenues increase appreciably. As well, its assets rose 41% to over \$110,000,000.

Imbrook completed during the year eight development projects representing 300,000 square feet of office space and 220,000 square feet of industrial-commercial space. Four of these are now substantially leased. A further 125,000 square feet of space was brought to market with the completion of renovations. The Company's 160,000 square foot office construction/renovation project in downtown Toronto is currently nearing completion while construction of a new 175,000 square foot office building in Vancouver began late in 1981. Two single family residential projects were completed and sold while a large condominium apartment project was brought to market. A number of these developments were joint ventures with local partners.

Imbrook acquired a small office building in Halifax with redevelopment potential. The Company purchased a major mid-

town Toronto office building and later disposed of it for a significant capital gain. Towards the end of the year a substantial Calgary office property of 190,000 square feet was purchased for closing early in 1982.

Much of this activity represented development of existing property. As a result of high interest rates and construction costs and the emergence of a weaker leasing market due to the recession, Imbrook undertook only three new projects in 1981.

We anticipate that real estate market conditions will remain difficult in 1982. The current recession will continue to have a negative effect on the leasing plans of companies and the outlook for interest rates is not encouraging for property investment. It will be difficult for Imbrook to undertake new property developments or acquisitions during the year, unless new sources of reasonable cash funding can be found.

Nevertheless, the Company has already made its presence felt in a number of property markets. Because of its recognized experience and skill and its now substantial portfolio base, we anticipate that Imbrook will become a significant participant on the Canadian property scene.

Financial Data

	1981	1980
Revenue producing properties	\$ 35,865,000	\$ 20,980,000
Properties under development	55,548,000	42,629,000
Total assets	110,788,000	78,298,000
Amount of space under management	2,000,000 sq. ft.	1,900,000 sq. ft.
Amount of space owned or under development	1,400,000 sq. ft.	1,250,000 sq. ft.



For me, a life insurance agent is a kind of counsellor. My role is to help people feel comfortable and secure. I point out to my client the various options available, give him or her my advice and then let the client make up his or her own mind. Mutual respect is the basis of this relationship. That's what a life insurance agent is, someone who respects others.

Jean-Noël Sergerie

Cap Chat, Quebec

The total staff complement at the end of 1981, including staff of wholly owned subsidiaries, but excluding the sales force, was 1,538, compared with 1,507 in 1980. Head Office staff showed a small reduction during the year from 584 in 1980 to 573 at the end of 1981. This reduction in staff resulted mainly from a reorganization of the Data Processing Department. During the year, 189 positions were filled at the Head Office, 38% through an internal job posting program. This percentage is extremely high for such a program. Also at Head Office, 352 staff members took 38 different training courses, ranging from data processing concepts to efficient reading and time management. A total of 112 staff members passed examinations held by the Life Office Management Association and 10 achieved the designation Fellow of the Life Management Institute, thus bringing Imperial Life's total of FLMI's to 74, a record percentage of FLMI's to Head Office staff among Canadian life insurance companies. 1981 also saw three individuals pass examinations to become Fellows of The Canadian Institute of Actuaries, bringing the number of fully qualified, professional actuarial staff to twelve.

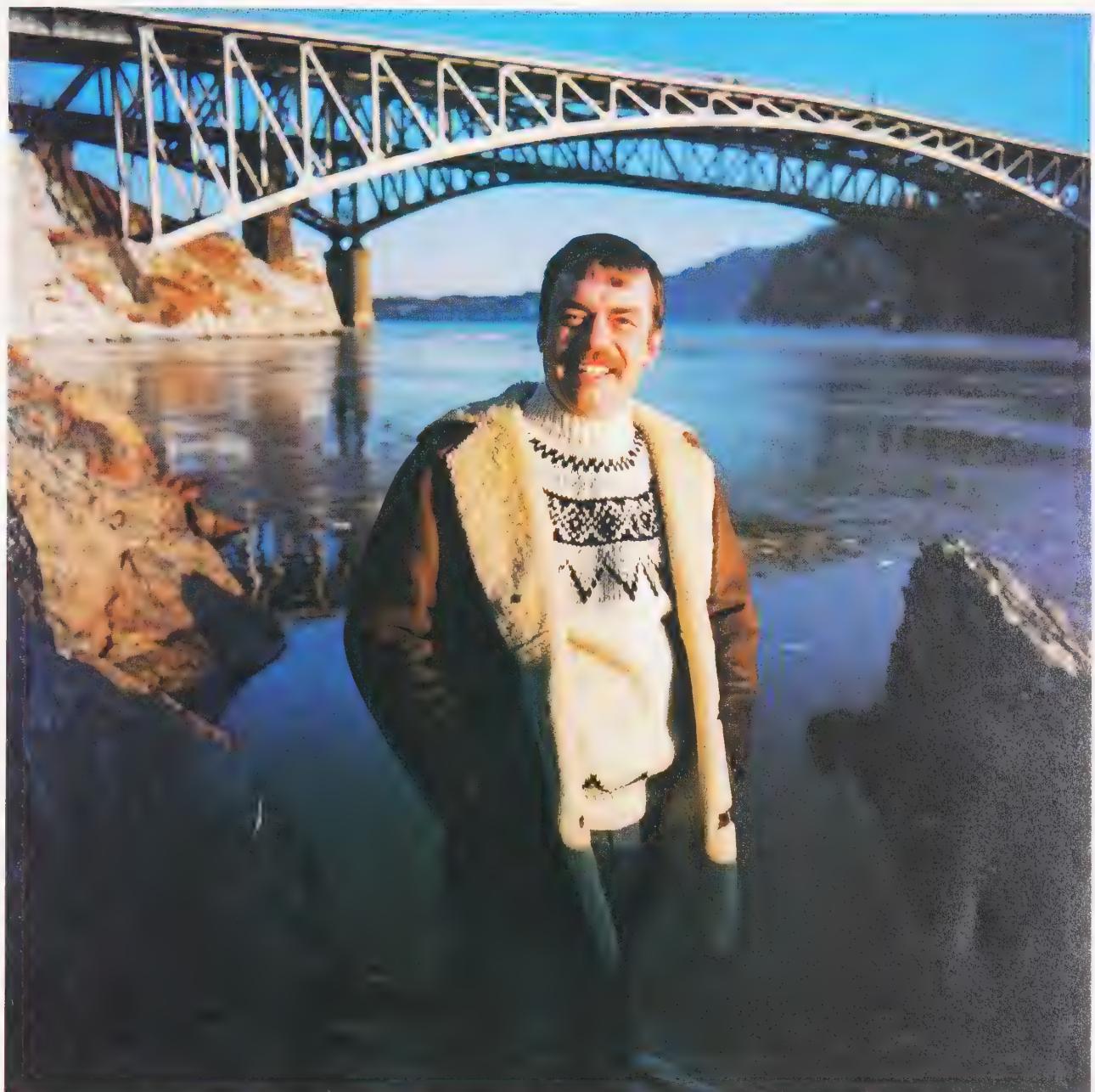
1981 saw the completion of the first full year of a new performance appraisal system and a job evaluation system, both of which have improved human resources management. Quarterly meetings for supervisors and managers commenced in 1981. These meetings were organized to provide a forum for discussion of changes in any one area that might affect other areas of operation and to clarify Company policy on personnel procedures. Company personnel also benefited from additional videotape programs that highlight activities of several Head Office departments. During the year the Human Resources Department also conducted career women workshops for female staff to explore the growing role of women in all areas of Company operations and management.

In the area of individual insurance systems, new software systems were introduced during the year to improve the efficiency of the policy issue section and the administration of annuities.

During 1981 significant changes were made in the data processing operations of the Company. In July, Lew Dunn, who had been Vice-President — Group Insurance, became Vice-President — Data Processing. Several months following this appointment, the Company announced a major reorganization of the data processing area, aimed at improving cost effectiveness and administrative efficiency. Late in the year, plans were put in place to acquire additional data processing equipment that will increase capacity and will permit the use of more modern technology. As well, plans were announced for evaluation of a marketing support system for our branch offices in Canada.

Public Affairs

Following a successful pilot advertising campaign, in 1981 the Company launched a full print campaign in major Canadian consumer magazines, based on the theme "Responding Professionally to Change". Advertising activity also increased in Great Britain and The Bahamas during the year. Public Affairs staff coordinated a major reception in Toronto for clients hosted by the parent company, The Laurentian Group and participated in the arrangement of the opening ceremonies of the Imperial Life Centre in Nassau, The Bahamas. Several media relations projects were initiated to support marketing promotions and staff coordinated a letter-writing campaign by employees and agents to Members of Parliament to protest the November budget proposals. In recognition of several successful corporate communications projects, the Company received awards of excellence from the Life Advertisers' Association and the International Association of Business Communicators.



My relationship with my clients is very service oriented. The most important service I can give is to provide them with detailed explanations of the products they have and need for their particular situation. To achieve this goal we do an estate analysis to provide a clear picture of exactly what their program will do for them. While providing this service I find that I become very close with my clients, in fact many are now good friends.

*Bill Robinson
Saint John, New Brunswick*

In 1981 Imperial Life maintained on all fronts its excellent growth rate of recent years. Sales, investment income and net earnings to policyholders and shareholders increased sharply over last year. Sustained efforts to control costs and to maintain rational underwriting standards contributed significantly to the success of Company operations.

It must be pointed out once again this year that the Company had to operate in a distinctly negative economic climate. Inflation and unemployment reached new peaks during the year and economic activity slowed as a recession set in. Instead of improving the situation, November's federal budget heightened the atmosphere of pessimism and uncertainty prevailing in all sectors of the economy. The field of life and health insurance and annuities was particularly hard hit. This aspect of the last budget is difficult to understand and accept from a government that claims to favour a society of independent and self-supporting citizens.

Total premium income registered a strong 27.5% increase, reaching \$368,407,000 in 1981, compared with \$289,056,000 the previous year. The net income from interest, dividends and rents continued to grow strongly, reaching \$135,395,000, compared with \$102,181,000 in 1980. The net rate of interest earned on the life and health assets increased substantially from 10.59% to 11.62% in 1981.

The total liabilities for insurance and annuity contracts, including reserves for segregated investment funds, rose to \$1,303,359,000 at December 31, 1981.

Payments to policyholders and beneficiaries aggregated \$200,499,000 during the year, compared with \$150,051,000 in 1980. This total includes \$73,352,000 in death, disability and health claims and \$18,728,000 in dividends to holders of participating policies.

Consolidated non-par and shareholders' account earnings reached \$6,190,000 after payment of dividends on preferred shares, compared with \$3,309,000 in 1980. The earnings per common share in

1981 thus amounted to \$6.19. It should be noted that part of the increase in net earnings resulted from a joint real estate transaction made by the Company's two subsidiaries in this field. The quarterly dividend to shareholders was raised to \$0.50 per common share at the beginning of 1981 and a special dividend of \$1.00 per share was declared in October.

Holders of participating policies received dividends totalling \$18,728,000 in 1981, more than \$2,456,000 above those paid in 1980. With this strong increase taken into account, the year closed with net earnings for the participating life insurance and annuity account of \$11,444,000, compared with \$13,985,000 in 1980.

Following the acquisition in 1980 of all of the shares of Loyal American Life Insurance Company, Imperial Life issued in July 1981 a \$25,000,000 preferred share issue. The excellent reaction of the market to this issue testifies to the confidence of investors in both Imperial Life and The Laurentian Group.

Apart from this acquisition, 1981 was characterized by the successful development of new and recently implemented programs. For example, Loyal American's first full year as an Imperial Life subsidiary turned out particularly well. Also, the program whereby Imperial Life representatives in Ontario offer general insurance products attained its main objectives. And finally, despite a somewhat slow start, the same was true of the program under which Imperial Life accepts business from brokers.

The Advisory Boards set up in Great Britain and The Bahamas in 1980 met regularly last year. It is already clear that the knowledge and experience of the members of these two boards will enable the Company to further improve the quality of its services to its policyholders.

At the end of June 1981, two of the principal architects of Imperial Life's development in Great Britain reached retirement age. After 47 years of service, Mr. John A. Kempton retired as Senior Vice-President and General Manager. However, the Company will continue to benefit from his long experience as he will remain a member of the Board of Directors and will become Chairman of the Advisory Board in Great Britain. Mr. Cecil W. Ward, Director of Marketing,

participated for 27 years in all phases of the development of Imperial Life's excellent organization in Great Britain. We wish to thank them once again for their outstanding contribution to the Company.

Mr. Roger H. A. Wain was appointed Senior Vice-President and General Manager for Great Britain. His broad experience and extensive knowledge of Imperial Life will serve him well in his new duties. Mr. Wain, along with his management team and a select group of branch managers and representatives, made a productive visit in September to Imperial Life in Toronto and to The Laurentian Group in Quebec.

It is with regret that the Company witnesses the departure in early 1982 of a member of its Board of Directors, Mr. Jacques Douville, who was elected to the Board on October 25, 1977. Having benefited from his experience and valuable counsel, the Company wishes to thank him for his active participation on the Board and to wish him much success in his new endeavours. At the Annual General Meeting, Mr. André Bérard, Executive Vice-President — National Accounts of the National Bank of Canada, will be proposed for election as a member of the Board of Directors.

We would like to thank all those who helped make last year such a successful one for Imperial Life. As far as the new year is concerned, we hope that the climate of uncertainty created by the last federal budget will be dissipated as soon as possible. The present troubled economic context requires that everything be done to allow businesses to operate as efficiently as possible.



Claude Castonguay
Chairman of the Board
Toronto, Canada
February 23, 1982



Imperial Life has been good to me. Our Company has an excellent reputation in The Bahamas for being sound and fair. That enviable reputation has been developed by the agents here as well as the Head Office staff who have such a fair way of doing things. I am proud to be associated with a Company that always provides the benefits it promises.

*Encil Pinder
Vassau, The Bahamas*

***Claude Castonguay, C.C., F.C.I.A.**

Quebec, Quebec
Chairman of the Board,
The Imperial Life
Assurance Company
of Canada;

President,
The Laurentian
Fund Inc.

***•Jean-Marie Poitras, O.C.**

Quebec, Quebec
Vice-Chairman of the Board,
The Imperial Life
Assurance Company
of Canada;

Chairman of the Board and President,
The Laurentian
Mutual Insurance

***William G. Munro, F.L.M.I.**

Toronto, Ontario
President,
The Imperial Life
Assurance Company
of Canada

***†René Amyot, Q.C.**

Quebec, Quebec
Vice-President,
The Imperial Life
Assurance Company
of Canada;

Chairman of the Board,
Air Canada

Partner,
Amyot, Lesage, Bernard,
Drolet et Associés

***†John B. W. Carmichael**

Toronto, Ontario
Company Director

•Frank E. Case

Brockville, Ontario
Company Director

Philippe de Monplanet

Paris, France
Vice-President,
L'Abeille-Paix-Vie

•Jacques Douville

Montreal, Quebec
Company Director

Robert Gachet

Paris, France
President,
Compagnie Financière
du Groupe Victoire

***J. Douglas Gibson, O.B.E.**

Toronto, Ontario
Chairman of the Board,
Canadian Reinsurance Company
Canadian Reassurance Company

•Lawrence G. Greenwood

Toronto, Ontario
Director,
Canadian Imperial
Bank of Commerce

John A. Kempton

London, England
Company Director

J. Louis Lebel, Q.C.

Calgary, Alberta
Counsel,
McLaws & Company

***A. Ross Poyntz, F.C.I.A.**

Toronto, Ontario
Company Director

†Harold A. Renouf, O.C., F.C.A.

Ottawa, Ontario
Chairman,
Petroleum Monitoring Agency

Donald J. Wilkins

Toronto, Ontario
Chairman of the Board,
Acklands Limited

*Member of the
Executive Committee

•Member of the
Compensation Committee

†Member of the
Audit Committee

Officers of Imperial Life

Claude Castonguay, C.C., F.C.I.A.
*Chairman of the Board
and Chairman of the
Executive Committee
of the Board*

William G. Munro, F.L.M.I.
President

René Amyot, Q.C.
Vice-President

J. B. Purdy, C.F.A., F.L.M.I.
*Senior Vice-President —
Investments*

Grant D. Sylvester, C.L.U., R.H.U.
*Senior Vice-President —
Marketing*

John J. Breithaupt
*Vice-President —
Human Resources
and Administration*

Alan R. Brereton, F.C.I.A.
*Vice-President —
Group Operations*

R. Lewis Dunn, F.C.I.A.
*Vice-President —
Data Processing*

Michael A. Hale, F.C.I.A.
*Vice-President
and Actuary*

Gordon H. Johnson, F.C.A., F.L.M.I.
*Vice-President —
Finance*

Glenn R. Swanick, F.C.I.A.
*Vice-President —
Corporate Planning*

E. Harold Wykes
*Vice-President,
General Counsel and Secretary*

Officers of Impco Health Services Ltd.

F. Murray Hall, M.D., F.R.C.P.(C)
President

James F. Massie
Vice-President and General Manager

Officers of Imbrook Properties Limited

Maurice W. Facey
President

John H. McMeekin, C.F.A., F.L.M.I.
Executive Vice-President

Anthony P. Alberga
*Vice-President —
Development*

William R. Brown, F.L.M.I.
*Executive Director —
Group Administration*

John N. Elder, C.L.U.
*Executive Director —
Property/Casualty Marketing*

Hugh C. Fardy, C.L.U.
*Executive Director —
Marketing Administration*

G. James Hunter, C.L.U.
*Executive Director —
Group Operations*

Brian A. Hurley, A.C.I., S.R.P.A.
*Executive Director —
Mortgage Investments*

John H. McMeekin, C.F.A., F.L.M.I.
*Executive Director —
Real Estate Investments*

Thomas A. Milburn, F.C.I.A.
Research Actuary

John D. Ogden, C.L.U., R.H.U.
*Executive Director —
Marketing Development*

Thomas Porter, M.D.
Medical Director

William L. Stanley, F.L.M.I.
*Executive Director —
Manpower Development*

W. Alan Teeter, C.L.U.
*Executive Director —
Marketing Operations*

Peter M. Walter, C.F.A., F.L.M.I.
*Executive Director —
Investment Policy*

**Officers of Castlemere
Properties Limited;**
*a property affiliate of
Imperial Life in Great Britain*

Archie J. Preston
Chairman of the Board

Stephen G. Lindemann
Executive Director

Brian E. Richardson
*Vice-President —
Finance*

W. Dennis Young
*Vice-President —
Operations*

In Great Britain

Roger H. A. Wain
*Senior Vice-President
and General Manager for
Great Britain*

W. Nicholas Anderton, F.I.A.
Actuary for Great Britain

Elizabeth F. Hogg
Director of Personnel

Eric R. Paton
Director of Marketing

David G. Peters, A.C.I.S., A.C.I.I., A.M.B.I.M.
Director of Financial Services

Michael C. Spillman
Director of Agencies

John C. Walton
Director of Investments

Officers of Loyal American Life Insurance Company

Claude Castonguay, C.C., F.C.I.A.
Chairman of the Board

Matthew S. Metcalfe
President

H. A. Rippy, Jr.
Executive Vice-President

V. Lamar Eaker
*First Senior Vice-President,
Marketing and Field Operations*

John G. Strom
*Senior Vice-President
and Treasurer*

Jo Williams
Secretary

E. C. Dahmer, Jr.
Vice-President, Comptroller

Gale S. Fly
Vice-President, Data Division

Thomas D. Rogers
*Vice-President, Assistant Director
of Field Operations*

William R. Loyed, Jr.
*Vice-President, Life Savings and
Loan Protection Division*

Glenn R. Swanick, F.C.I.A.
Vice-President, Corporate Planning

Financial Highlights

The Imperial Life Assurance
Company of Canada

	1981	1980
New individual insurance sold	\$ 1,775,037,000	\$ 1,380,893,000
New group life and annuities	813,699,000	849,942,000
Total new insurance sold	2,588,736,000	2,230,835,000
Annual premiums from new sales of individual life and health	44,411,000	36,038,000
New single premiums	117,758,000	81,647,000
New group insurance premiums	16,072,000	21,824,000
Total new premiums	178,241,000	139,509,000
Total life insurance in force at year-end	15,087,414,000	12,719,006,000
Death claims	39,054,000	31,986,000
Dividends to policyholders	18,728,000	16,272,000
Total payments to policyholders and beneficiaries	200,499,000	150,051,000
Total premium income	368,407,000	289,056,000
Total assets including subsidiary companies	1,722,423,000	1,416,360,000
Net interest rate earned	11.62%	10.59%

Summary of Significant Accounting Policies to the Consolidated Financial Statements

The Imperial Life Assurance Company of Canada

December 31, 1981

The accounting practices followed by the Company are as prescribed or permitted by the Department of Insurance of Canada for the purpose of reporting to policyholders and shareholders. These accounting practices differ from generally accepted accounting principles primarily in regard to the valuation of investments, the treatment of currency translation and the discounting of deferred income taxes.

Principles of consolidation

The consolidated financial statements include all operating subsidiaries and combine the life, health and segregated investment fund insurance branches of the Company. The excess of the price paid for the shares of Loyal American over the underlying net asset value upon acquisition, described in the balance sheet as goodwill, is being amortized on a straight-line basis over a period of 20 years.

Foreign currency translation

All foreign currency items in each year are translated into Canadian dollars using rates set at the beginning of that year which rates are anticipated by the Company to approximate the average exchange rates which will prevail during that year. If appropriate, these rates are adjusted at the beginning of the following year with the resulting gain and loss being reflected in that year's income.

Asset valuation

Bonds and debentures are carried at amortized cost plus or minus the unamortized balance of net realized gains or losses, except for those of Loyal American which are carried at amortized cost.

Stocks are carried at cost plus or minus a "formula adjustment" as prescribed by the Department of Insurance of Canada representing the unamortized realized net gains or losses on sales of stocks and also an adjustment for unrealized net gains on stocks, except for those of Loyal American which are carried at market value.

Mortgages are carried at their outstanding principal balances.

Real estate is carried at cost less accumulated depreciation except for properties under development and properties held by the Company's British property investment subsidiaries which are carried at cost.

Oil and gas properties held directly are carried at cost to the Company.

Policy loans are carried at their unpaid balance and are fully secured by the value of the policies on which the respective loans are made.

Collateral loans, made to certain annuitants, are carried at their unpaid balance and are fully secured through the assignment of all payments made on the underlying contracts. These payments are sufficient to repay all loans and interest due over the term of such contracts.

Investments held for segregated funds are carried at market value. The liability to policyholders equals the net assets in each fund.

Furniture, equipment and leasehold improvements are carried at cost less depreciation.

Joint ventures

(a) Real estate

The Company, through its Canadian property investment subsidiaries, participates in various real estate joint ventures in all of which it has an ownership of 50% or more. They are all accounted for on a proportionate consolidation basis.

(b) Oil and gas properties

The Company has entered into joint ventures through which it participates in oil and gas exploration and development. They are accounted for on an equity basis.

Depreciation

Properties held for investment and home and branch office premises are depreciated on a straight-line basis ranging from 1-1/2% to 2-1/2% per annum. Canadian property investment subsidiaries calculate depreciation on buildings on the sinking fund method using a 5% factor. Depreciation on completed buildings is recorded at a rate sufficient to write these assets off over their anticipated useful life. For office buildings, this is 50 years and for industrial buildings it is 40 years. Depreciation is not recorded on properties under development or in the British property investment companies.

Furniture, equipment and leasehold improvements are depreciated on a straight-line basis at rates of 10% to 30%.

Present value of liabilities under assurance and annuity contracts

The present value of liabilities under life assurance and annuity contracts, except for those of Loyal American, are determined by the Valuation Actuary to be an amount, which together with future premiums and interest, is sufficient to meet all future benefits and expenses. In compliance with the Canadian and British Insurance Companies Act, the method used defers acquisition expenses, to a maximum statutory amount, over the premium-paying period of the policy. It also allows for a sufficient margin to enable the Company to meet future dividend expectations. Investment returns, mortality, morbidity, expenses, policy retention rates and other assumptions appropriate to the circumstances of the Company and the policies in force are used.

Loyal American's reserving methods, as determined by its consulting actuaries, are on the basis of generally accepted accounting principles in the United States, which basis is comparable to the above except that the total acquisition costs are deferred and amortized over the premium-paying period of the policy.

A mortality fluctuation provision is maintained within the actuarial liabilities to counteract any mortality strain experience which deviates from the normal range. If an abnormal deviation occurs, the provision is adjusted by formula thereby neutralizing its impact on net income. No such reserve is maintained by Loyal American.

Liabilities for individual health insurance are determined on a two-year preliminary term basis and for group health insurance on the basis of unearned premiums plus an additional reserve.

Income taxes

The Company and its subsidiaries provide for deferred income taxes. Imperial Life calculates its deferred income taxes on a discounted basis. The provision for deferred income taxes arises mainly as the result of timing differences between income reported for statement purposes and income for tax purposes relating principally to policyholders' reserves, depreciation and the accounting for investments.

Consolidated Balance Sheet

The Imperial Life Assurance Company of Canada

As at December 31, 1981

	Notes	1981	1980
		(thousands of dollars)	
Assets		\$	\$
Bonds and debentures	3	422,829	325,754
Stocks	4	108,867	103,154
Mortgages		410,034	375,308
Real estate	5	185,596	146,936
Oil and gas properties	6	2,383	1,391
Loans to policyholders		85,660	69,042
Collateral loans		31,963	—
Goodwill	7	15,861	16,183
Segregated investment funds' assets	11	351,561	296,031
Cash and short term deposits		40,980	34,247
Premiums in course of collection		11,767	7,881
Accrued investment income		23,070	14,125
Furniture, equipment and leasehold improvements	8	7,508	5,431
Other assets		24,344	20,877
		1,722,423	1,416,360

On behalf of the Board

C. Castonguay,
Chairman of the Board

W. G. Munro,
President

Auditors' Report

To the Policyholders and
Shareholders of
The Imperial Life Assurance
Company of Canada

We have examined the consolidated balance sheet of The Imperial Life Assurance Company of Canada as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles as explained in the summary of significant accounting policies to the consolidated financial statements.

Toronto, Canada
February 1, 1982

Coopers & Lybrand
Chartered Accountants

	Notes	1981	1980
		(thousands of dollars)	
Liabilities		\$	\$
Present value of liabilities under assurance and annuity contracts	9	951,498	788,831
Policy proceeds, dividends and other amounts on deposit		38,224	37,806
Present value of liabilities under Company retirement funds	10	25,527	24,156
Segregated investment funds' liabilities to policyholders	11	351,561	296,031
Provision for dividends to policyholders		18,600	15,800
Policy claims in course of settlement and provision for unreported claims		38,891	31,752
Bank loans		39,145	25,148
Mortgages on real estate investments		42,660	37,980
Income and premium taxes payable		1,544	1,334
Deferred income taxes	12	11,851	8,602
Other liabilities and provisions		53,729	38,913
		<u>1,573,230</u>	<u>1,306,353</u>
Policyholders' and Shareholders' Equity			
Capital Stock	13		
Preferred Shares		24,538	—
Common Shares		1,000	1,000
Contributed Surplus	14	15	—
Retained Earnings			
Shareholders'	15	371	4,717
Appropriated, primarily for solvency purposes	16	42,177	41,448
Unappropriated, primarily for the protection of policyholders		81,092	62,842
		<u>149,193</u>	<u>110,007</u>
		<u>1,722,423</u>	<u>1,416,360</u>

Valuation Actuary's Report

To the Policyholders and
Shareholders of
The Imperial Life Assurance
Company of Canada

I have made the valuation of policy benefit liabilities of The Imperial Life Assurance Company of Canada for the consolidated balance sheet as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended.

In regard to the policy benefit liabilities of the United States subsidiary insurance company, I have relied upon the valuation made by the consulting actuaries of the subsidiary company.

Toronto, Canada
February 1, 1982

In my opinion, for all other policy benefit liabilities (i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, (ii) the amount of policy benefit liabilities makes proper provision for the future payments under the Company's policies, (iii) a proper charge on account of those liabilities has been made in the consolidated statement of income, and (iv) the amount of retained earnings appropriated for policies whose cash values exceed their policy benefit liabilities is proper.

M. A. Hale, F.C.I.A.
Vice-President and Actuary

Consolidated Statement of Retained Earnings

The Imperial Life Assurance Company of Canada

For the year ended December 31, 1981

	Shareholders'	Appropriated		(thousands of dollars)
	Participating	Non-Participating	Total	
Retained earnings, beginning of year	\$ 4,717	\$ 24,409	\$ 17,039	\$ 41,448
Net income for the year	112	—	—	—
Strengthen (release) appropriations for the year	—	(1,997)	2,726	729
Dividends to shareholders — preferred	(1,458)	—	—	—
— common	(3,000)	—	—	—
Retained earnings, end of year	<u>371</u>	<u>22,412</u>	<u>19,765</u>	<u>42,177</u>
	(note 15)			(note 16)

	Unappropriated		(thousands of dollars)
	Participating	Non-Participating	
Retained earnings, beginning of year	\$ 50,904	\$ 11,938	\$ 62,842
Net income for the year	11,444	7,535	18,979
Strengthen (release) appropriations for the year	1,997	(2,726)	(729)
Dividends to shareholders — preferred	—	—	—
— common	—	—	—
Retained earnings, end of year	<u>64,345</u>	<u>16,747</u>	<u>81,092</u>

Consolidated Earnings per Common Share

The Imperial Life Assurance Company of Canada

For the year ended December 31, 1981

	1981	1980
	(thousands of dollars)	
Non-participating account net income for the year	\$ 7,535	\$ 1,459
Shareholders' account net income for the year	112	1,850
Less preferred share dividend	7,647	3,309
Earnings applicable to common shares	1,458	—
Basic earnings per common share	<u>6,189</u>	<u>3,309</u>
	<u>\$6.19</u>	<u>\$3.31</u>

Consolidated Statement of Income

The Imperial Life Assurance
Company of Canada

For the year ended December 31, 1981

		Notes	1981	1980
(thousands of dollars)				
Income			\$	\$
Premiums	17	368,407	289,056	
Investment income	18	135,395	102,181	
Investment income from segregated investment funds	11	22,973	44,918	
Currency translation gain	2	1,631	2,494	
		528,406	438,649	
Benefits and Operating Costs				
Death claims		39,054	31,986	
Disability and health insurance claims		34,298	25,884	
Matured endowments		5,951	6,275	
Annuity benefits		25,349	16,690	
Surrender value benefits		77,118	52,944	
Additions to funds held for future payments to policyholders		150,845	120,482	
Additions to segregated investment funds		43,581	57,416	
Interest credited to funds on deposit and Company retirement funds		7,259	5,081	
Commissions, marketing and operating expenses		103,015	88,015	
		486,470	404,773	
Operating Income before dividends and taxes		41,936	33,876	
Dividends to policyholders		18,728	16,272	
Income before taxes and extraordinary item		23,208	17,604	
Current income and premium taxes		1,621	1,641	
Deferred income taxes (recovery)		2,496	(723)	
		4,117	918	
Income before extraordinary item		19,091	16,686	
Gain on sale of Jamaica insurance business		—	608	
Net Income		19,091	17,294	
Non-participating account		\$ 7,535	\$ 1,459	
Shareholders' account		112	1,850	
Non-participating and shareholders' account		7,647	3,309	
Participating life account		11,444	19,091	13,985
				17,294

Consolidated Statement of Changes in Financial Position

The Imperial Life Assurance
Company of Canada

For the year ended December 31, 1981

**The Imperial Life Assurance
Company of Canada**

December 31, 1981

1. Accounting policies

The more significant accounting policies used by the Company are set out in the preceding Summary of Significant Accounting Policies.

2. Currency translation

Effective January 1, 1982 the book currency translation rate for certain currencies will be changed to more appropriate rates. This will result in a currency translation loss for 1982 of \$3,325,000 (1981 \$4,699,000 gain) of which \$3,164,000 has been provided for in 1981. The assets and liabilities as shown at December 31, 1981 will be decreased on January 1, 1982 by \$46,166,000 and \$42,841,000 respectively by this change.

The following are the more significant currency translation rates used for the years 1980 and 1981 together with those to be used for 1982.

	1982	1981	1980
Great Britain pound	\$ 2.30	\$ 2.60	\$ 2.40
United States dollar	1.15	1.15	1.10
Bahamian dollar	1.15	1.15	1.10

3. Bonds and debentures

	1981	1980
Cost	\$ 416,284,000	\$ 319,715,000
Unamortized losses	6,545,000	6,039,000
	<u>422,829,000</u>	<u>325,754,000</u>
Market values	347,701,000	283,542,000

The amortization of losses expensed in the year was \$1,067,000 (1980 \$803,000).

4. Stocks

	1981	1980
Cost	\$ 142,653,000	\$ 120,684,000
Less formula adjustment	33,786,000	17,530,000
	<u>108,867,000</u>	<u>103,154,000</u>
Market values	193,142,000	184,157,000

The formula adjustment amount included in income in the year was \$6,407,000 (1980 \$7,411,000).

5. Real estate

	1981	1980
(a) Real estate, at cost		
Properties under development	\$ 70,662,000	\$ 50,089,000
Investment properties	99,527,000	85,613,000
Home Office and branch office properties	27,871,000	22,502,000
Total — at cost	198,060,000	158,204,000
Less accumulated depreciation	12,464,000	11,268,000
	<u>185,596,000</u>	<u>146,936,000</u>

The depreciation charge for the year amounted to \$1,342,000 (1980 \$1,328,000).

(b) Interest in real estate joint ventures

The Company's proportionate share, through its subsidiaries, in all its real estate joint ventures' assets and liabilities is summarized as follows:

	1981	1980
Assets	\$ 34,080,000	\$ 26,574,000
Liabilities	21,163,000	20,094,000

6. Oil and gas properties

The Company has invested in oil and gas exploration and production through limited partnerships and joint ventures as follows:

	1981	1980
Limited partnerships	\$ 945,000	\$ 720,000
Joint ventures	1,438,000	671,000
	<u>2,383,000</u>	<u>1,391,000</u>

Both the partnerships and the joint ventures in their accounts follow the full cost method of accounting for oil and gas property operations.

7. Goodwill

On April 1, 1980 the Company acquired all the issued and outstanding shares of Loyal American Life Insurance Company of Mobile, Alabama. The excess of \$16,813,000 paid for the shares over the underlying net asset value is being amortized on a straight line basis over a period of 20 years. The amortization charge for the year is \$841,000 (1980 \$630,000).

8. Furniture, equipment and leasehold improvements

	1981	1980
Cost	\$ 12,294,000	\$ 8,571,000
Less accumulated depreciation	4,786,000	3,140,000
	<u>7,508,000</u>	<u>5,431,000</u>

These amounts include the cost of the Company's computer of \$863,000 less accumulated depreciation of \$526,000. The consolidated depreciation charge for the year amounted to \$1,586,000 (1980 \$1,092,000).

9. The present value of liabilities under assurance and annuity contracts

	1981	1980
Life:		
participating	\$ 436,131,000	\$ 384,647,000
participating mortality	3,643,000	3,340,000
fluctuation provision	502,999,000	394,015,000
non-participating	2,106,000	1,534,000
non-participating mortality		
fluctuation provision		
Health:		
individual	6,468,000	5,172,000
group	151,000	123,000
	<u>951,498,000</u>	<u>788,831,000</u>

Notes to Consolidated Financial Statements (continued)

10. Company pension plans

The Company has contributory pension plans covering substantially all of its employees and branch managers and retirement benefit arrangements for its full-time agents. The total liability in all funds is made up as follows:

	1981	1980
General funds:	\$	\$
active participants	6,964,000	8,087,000
retired participants	18,563,000	16,069,000
	25,527,000	24,156,000
Segregated funds:		
active participants	37,471,000	33,973,000
retired participants	9,762,000	5,995,000
	47,233,000	39,968,000
	<u>72,760,000</u>	<u>64,124,000</u>

The Imperial Life Staff Pension Fund provided an improved scale of benefits under a supplementary trust deed effective June 1, 1974. The resulting actuarial deficiency determined on January 1, 1975 amounted to \$2,201,000. This amount was being funded over a 14 year period at 7% interest. At December 31, 1980 there was an actuarial deficiency of \$1,503,000. The Triennial Valuation of the Staff Pension Fund as at January 1, 1981, was completed during 1981. The funding excess resulting from this valuation was sufficient to reduce the deficiency of \$1,503,000 to nil.

The Imperial Life Retirement and Death Benefit Fund (G.B.) provided an improved scale of benefits under a trust deed effective April 1, 1975. The valuation of December 31, 1980 reflected a surplus of \$4,715,000. The funding rate for 1981 to cover future liabilities was \$2,335,000 (1980 \$2,170,000).

11. Segregated investment funds

The net assets of each fund amounted to:

	1981	1980
Group contract funds:	\$	\$
Bond	14,308,000	10,530,000
Equity	30,818,000	28,168,000
Mortgage	38,193,000	38,924,000
Diversified	55,578,000	48,666,000
Money market	1,153,000	—
Segregated employer funds	82,331,000	69,908,000
Great Britain retirement & death benefit fund	19,022,000	14,780,000
Individual contract funds:		
Great Britain property	2,249,000	13,000
Great Britain secure capital	279,000	238,000
Great Britain fixed interest	1,468,000	1,426,000
Great Britain equity	863,000	413,000
Great Britain managed	11,792,000	7,457,000
Great Britain growth	40,304,000	34,407,000
Great Britain pension managed	48,941,000	35,778,000
Impco growth	990,000	1,285,000
Impco retirement growth	3,272,000	4,038,000
	<u>351,561,000</u>	<u>296,031,000</u>

The Consolidated Statement of Income includes the net investment income, net unrealized capital gains, and operating transactions of the segregated funds for the year.

12. Deferred income taxes

The deferred income taxes are made up as follows:

	1981	1980
	\$	\$
Imperial Life	1,727,000	2,052,000
Loyal American	7,298,000	5,548,000
Other subsidiaries	2,826,000	1,002,000
	<u>11,851,000</u>	<u>8,602,000</u>

13. Capital stock

(a) Preferred shares

Authorized:

By Supplementary Letters Patent issued on June 9, 1981, the authorized share capital of the Company was increased by 1,200,000 Preferred Shares issuable in series with a par value of \$25 each, and is decreased by redemptions as they occur.

Issued:

On July 9, 1981, 1,000,000 Series A Cumulative Redeemable Preferred Shares were issued at par with a dividend rate of 12.25% or \$3.0625 per annum, payable in quarterly instalments. Once, at any time, the Company may increase the dividend rate on these shares effective from such date as the Board of Directors determines. The Series A Preferred Shares are retractable at the option of the holder, subject to requisite statutory approval, by deposit on or before June 8, 1986 for redemption on July 8, 1986 at \$25 per share plus accrued and unpaid preferential dividends. The Company is obliged to make all reasonable efforts to purchase for cancellation in the open market a prescribed number of Series A Preferred Shares, as described below, at such time or times in each calendar quarter as it in its discretion shall determine at a price not exceeding \$25 per share plus costs of purchase.

The prescribed number of Series A Preferred Shares which the Company is obliged to make all reasonable efforts to so purchase during each calendar quarter is:

- (i) during the period commencing on the date of issue and ending June 30, 1986, 10,000 Series A Preferred Shares (4% per annum of the number of shares issued); and
- (ii) commencing July 1, 1986 and thereafter, 1% (4% per annum) of the number of Series A Preferred Shares outstanding at the close of business on July 8, 1986.

If the Company is unable to fulfill such obligation in any calendar quarter, the obligation will carry over only to the succeeding calendar quarters of the same calendar year.

Issued and outstanding:

		\$
1,000,000	Issued on July 9, 1981	25,000,000
18,500	Redeemed during year	462,000
981,500	Outstanding - December 31, 1981	<u>24,538,000</u>

(b) Common shares

Authorized:

15,000,000 Shares of \$1 par value

Issued and outstanding:

1,000,000	Shares	\$1,000,000
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14. Contributed surplus

The difference between cost and par value on preferred shares purchased for redemption

\$15,000

15. Shareholders' retained earnings

The shareholders' retained earnings is a segregation of earnings from which common and preferred shareholder dividends are paid. The Company funds this account in each quarter to meet all dividend requirements. Legislation permits discretion in transfers from non-participating retained earnings to shareholders' retained earnings.

16. Appropriated retained earnings

The Company is required by the Department of Insurance of Canada to maintain certain appropriations within its retained earnings to provide for (a) market and currency value fluctuations within its invested assets, (b) the undepreciated value of its furniture, equipment and leasehold improvements, excluding computers, and (c) the excess of policy cash surrender values over the present value of related policy contract liabilities.

The amounts appropriated to meet these requirements at December 31 were:

	Invested asset valuation reserve	Miscellaneous asset valuation reserve	Cash surrender value reserve	Total
1981	\$ 12,025,000	\$ 2,861,000	\$ 7,526,000	\$ 22,412,000
participating non-participating	4,379,000	2,660,000	12,726,000	19,765,000
	<u>16,404,000</u>	<u>5,521,000</u>	<u>20,252,000</u>	<u>42,177,000</u>
1980	12,025,000	2,853,000	9,531,000	24,409,000
participating non-participating	3,689,000	1,483,000	11,867,000	17,039,000
	<u>15,714,000</u>	<u>4,336,000</u>	<u>21,398,000</u>	<u>41,448,000</u>

17. Premium income

Premium income was derived from the following lines of business:

	1981	1980
participating individual life	\$ 89,454,000	\$ 75,583,000
participating individual annuity	18,268,000	8,711,000
non-participating individual life	26,241,000	22,561,000
non-participating individual annuity	105,804,000	80,161,000
group life	31,139,000	22,733,000
group annuity	10,920,000	14,627,000
individual health	13,034,000	9,053,000
group health	34,746,000	24,540,000
segregated funds	38,801,000	31,087,000
	<u>368,407,000</u>	<u>289,056,000</u>

18. Investment income

Investment income, including realized and unrealized net gains on investments less investment expenses, was derived from:

	1981	1980
Bonds and debentures	\$ 35,674,000	\$ 25,227,000
Stocks	17,441,000	17,055,000
Mortgages on real estate	42,874,000	37,350,000
Real estate	22,813,000	16,904,000
Loans to policyholders	5,249,000	4,403,000
Collateral loans	3,699,000	—
Short term deposits	14,983,000	8,096,000
Other	2,871,000	1,855,000
	<u>145,604,000</u>	<u>110,890,000</u>
Expenses	10,209,000	8,709,000
	<u>135,395,000</u>	<u>102,181,000</u>

19. Lease commitments

The Company has contractual obligations in respect of rents payable on leased premises and equipment as follows:

	1981	1980
	\$	\$
1981		2,529,000
1982		3,113,000
1983		2,766,000
1984		2,304,000
1985		1,695,000
1986		1,468,000
Remaining Years	11,777,000	6,557,000
	<u>23,123,000</u>	<u>15,664,000</u>

20. Trinidad insurance business

The Company entered into an agreement on June 19, 1981 with Maritime Life (Caribbean) Limited to sell to that company all its life insurance business in Trinidad. The sale will not take place until approval has been obtained from the required regulatory authorities in both Canada and Trinidad. The Company's total assets and liabilities in Trinidad at December 31, 1981, at 1981 book values and 1981 book rates of currency translation, were approximately \$7,149,000 and \$7,017,000 respectively.

21. Subsidiary companies

The subsidiary companies whose financial results are consolidated in these statements are:

Name of company	Percentage of voting equity shares held	Location	Nature of business
Loyal American Life Insurance Company	100%	United States	Life and health insurance
Its subsidiary:			
Long Beach Development Corporation	100%	United States	Real estate investments
Impco Properties Limited	80%	Jamaica	Real estate investments
Impco Health Services Ltd.	100%	Canada	Medical examination service and physical fitness centre
Impco Properties Limited	100%	Canada	Real estate investments
Impco Investment Management Limited	100%	Canada	Investment management
Imbrook Properties Limited	56.19% (57.67% in 1980)	Canada	Real estate investments
Impco Properties G.B. Limited	100%	Great Britain	Real estate investments
Its subsidiaries:			
The Invicta Investment Company Limited	100%	Great Britain	Real estate investments
Imperial Life Property Management Company (G.B.) Limited (formerly East Layne (Maidstone) Limited)	100%	Great Britain	Real estate investments

The Imperial Life Assurance
Company of Canada

(dollar amounts in thousands)	1981	1980	1979	1978*	1977	1976	1975	1974	1973	1972
Revenue										
Premiums	\$ 368,407	\$ 289,056	\$ 212,919	\$ 163,568	\$ 135,361	\$ 132,705	\$ 110,106	\$ 98,389	\$ 91,550	\$ 81,131
Investment	158,368	147,099	102,623	79,517	70,955	55,844	55,815	32,264	33,186	40,534
Total paid or credited to policyholders and beneficiaries excluding dividends	383,455	316,758	233,062	162,403	144,635	131,844	115,328	85,430	83,797	85,455
Dividends to policyholders	18,728	16,272	13,056	12,106	9,957	10,069	10,061	9,556	8,990	8,813
Commissions, branch office, agency and operating expenses	103,015	88,015	61,173	53,662	45,806	44,242	38,973	33,632	29,767	24,357
Dividends to shareholders										
— preferred	1,458	—	—	—	920	720	720	700	640	560
— common	3,000	1,800	1,600	1,060	—	—	—	—	—	—
Total assets	1,722,423	1,416,360	1,114,852	940,056	812,393	756,896	713,595	654,244	621,051	574,184
Life insurance in force	15,087,414	12,719,006	9,105,964	7,670,914	6,340,190	6,003,198	5,557,828	4,963,307	4,286,669	3,770,815
Net rate of interest earned	11.62%	10.59%	9.58%	8.70%	7.99%	7.57%	7.37%	7.16%	6.93%	6.66%
Earnings per share	\$6.19**	\$3.31	\$4.24***	\$3.53	\$2.07	\$0.93	\$1.47	\$0.89	\$1.20	\$1.09
Number of agents	745	775	701	735	738	745	723	702	702	633
Number of employees	1,538	1,507	1,278	1,218	1,201	1,254	1,253	1,228	1,155	1,096

*Statutory accounting rules were significantly changed for 1978 and subsequent years.

**Basic earnings per share, after Preferred Share dividend.

***Restated due to change in accounting policy.

Summary of Capital and Retained Earnings

At December 31

(dollar amounts in thousands)	1981	1980	1979	1978*	1977	1976	1975	1974	1973	1972
Appropriated										
Participating account	\$ 22,412	\$ 24,409	\$ 18,344	\$ 23,563	\$ 10,525	\$ 10,525	\$ 10,525	\$ 9,057	\$ 12,057	\$ 12,067
Non-participating account	19,765	17,039	14,269	15,339	3,600	3,600	3,600	3,270	3,269	3,525
Shareholders'										
Capital stock										
— preferred	24,538**	—	—	—	—	—	—	—	—	—
— common	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Retained earnings	371	4,717	4,667	4,646	3,395	3,057	2,754	2,454	2,204	1,951
Unappropriated										
Participating account										
Life retained earnings	64,345	50,904	42,984***	39,095	28,324	27,189	26,910	30,528	32,160	32,983
Non-participating account										
Life retained earnings	14,140	11,197	10,517***	12,096	6,546	6,202	7,046	7,381	7,379	6,533
Health retained earnings	2,607	741	2,732	2,910	2,483	2,013	1,263	934	992	1,273

*Statutory accounting rules were significantly changed for 1978 and subsequent years.

**Issued capital stock increased by issue of 1,000,000 Cumulative Redeemable Preferred Shares of \$25 par value each on July 9, 1981.

***Restated due to change in accounting policy.

Imperial Life Offices

Head Office

Imperial Life Building,
95 St. Clair Avenue West,
Toronto, Canada
M4V 1N7

Branch and Sales Offices in Canada

Western Region

W. H. Kamineski, C.L.U.
Director of Marketing —
Western Region

Brandon, Man.

R. W. MacKalski

Calgary, Alta.

R. D. McCorquodale, C.L.U.

Edmonton, Alta.

C. B. Schultz, C.L.U.

Kamloops, B.C.

C. W. Abbott, C.L.U.

Regina, Sask.

J. J. Dean, C.L.U.

Saskatoon, Sask.

J. A. Meckelborg

Vancouver, B.C.

J. A. C. MacIntosh, C.L.U.

Victoria, B.C.

R. H. Knowlton, C.L.U.

Winnipeg, Man.

A. C. Campeau, C.L.U.

Sales Offices

Penticton, B.C.

Prince Albert, Sask.

Ontario Region

V. Joannette, C.L.U.
Director of Marketing —
Ontario Region

Barrie, Ont.

D. A. Conway, C.L.U.

Hamilton, Ont.

H. K. Kay, C.L.U.

Kingston, Ont.

E. W. Stewart-Normans

Kitchener, Ont.

W. S. Lillie, C.L.U.

London, Ont.

B. K. McBain, F.L.M.I.

North Bay, Ont.

V. A. Shelp, C.L.U.

Oshawa, Ont.

D. Westlake, C.L.U.

Ottawa, Ont.

D. H. Zwicker

St. Catharines, Ont.
R. A. Newton, C.L.U.

Toronto, Ont.
V. Chin

Toronto, Ont.
J. D. Duckworth, C.L.U.

Toronto, Ont.
F. E. Murphy, C.L.U.

Toronto, Ont.
C. D. Leroux, C.L.U.

Sales Offices

Belleville, Ont.

Brantford, Ont.

Brockville, Ont.

Kemptville, Ont.

Kirkland Lake, Ont.

Niagara Falls, Ont.

Sarnia, Ont.

Stayner, Ont.

Stratford, Ont.

Windsor, Ont.

Woodstock, Ont.

Quebec/Atlantic Region

K. M. Sopora, C.L.U., F.L.M.I.
Director of Marketing —
Quebec/Atlantic Region

Charlottetown, P.E.I.

E. D. Grant

Halifax, N.S.

R. W. Davison

Moncton, N.B.

D. B. MacKay, C.L.U.

Montreal, Que.

L. Couture, C.L.U.

Montreal, Que.

E. W. Tobin, C.L.U.

Quebec, Que.

M. Pineau

Rimouski, Que.

P.-E. Levesque

St. John's, Nfld.

R. K. Moores, C.L.U.

Thetford Mines, Que.

J.-G. Cyr

Sales Offices

Chandler, Que.

Corner Brook, Nfld.

Lévis, Que.

Matane, Que.

Saint John, N.B.

Sherbrooke, Que.

Ste-Anne-des-Monts, Que.

Summerside, P.E.I.

Sydney, N.S.

Trois-Rivières, Que.

Branch Office in the South

Nassau, Bahamas
G. A. Sweeting, C.L.U.

Management Development
J. P. Cairns, C.L.U.
Director of Marketing —
Management Development

Investment Office in the South

Nassau, Bahamas
M. J. Hutchinson
Investment Manager

Mortgage Loan Offices in Canada

Calgary, Alta.
D. M. Johnston, A.A.C.I., S.R.P.A.

Halifax, N.S.

J. R. MacRae

Kitchener, Ont.

W. G. McDougall, A.A.C.I.

Montreal, Que.

R. Cusson, E.A.

Toronto, Ont.

I. G. McLean, C.R.A.

Vancouver, B.C.

K. K. Jerome, A.A.C.I., M.A.I.

In the United States

Loyal American Life Insurance Company

Head Office Mobile, Alabama

Licensed to operate in 47 states
and the District of Columbia

Imperial Life Offices in Great Britain

Chief Office

Imperial Life House
London Road
Guildford, Surrey GU1 1TA

Branch Offices

Abingdon J. E. Barlow
Leicester M. M. Leask
Manchester G. Ratcliffe

Birmingham D. H. Scott
London R. F. Brooker
Newcastle E. G. Hill

Bristol E. P. Bamford
London A. H. Evans
Nottingham D. S. Lee

Bromley S. Freedman
London R. W. J. Exall
Regional Manager Midlands

Camberley R. A. Knox-Johnston
London J. A. Jacobs
Plymouth I. D. Hopkins

Cambridge D. F. Morley
London B. A. Lane
Southampton J. F. Wilson

Cardiff B. J. Cross
London A. R. Woolf
Wembley C. Burman

Croydon G. F. Garfield
London J. M. Locke
Wetherby P. A. Dodds

Exeter H. G. Spencer-Mustoe
London B. Roden
Glasgow C. D. H. MacLean
London D. Morris

Hove T. T. Hyde
Maidstone C. M. Haley
Group and Pensions Sales Office London

Group Brokerage Office Guildford

Group Brokerage Office A. J. Childs

